

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE APPLICATION OF THE)	
FUEL ADJUSTMENT CLAUSE OF EAST KENTUCKY)	CASE NO. 10437
POWER COOPERATIVE CORPORATION FROM)	
NOVEMBER 1, 1986 TO OCTOBER 31, 1988)	

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on December 5, 1988 established this case to review and evaluate the operation of the fuel adjustment clause of East Kentucky Power Cooperative Corporation ("EKPC") for the 2 years ended October 31, 1988, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its fuel adjustment clause charge.

The Attorney General ("AG"), through his Utility and Rate Intervention Division, was the only intervenor in this case. The AG did not present any witnesses, perform any cross-examination, or challenge any evidence or proposals presented by EKPC.

As part of its review, the Commission ordered EKPC to submit certain information concerning, inter alia, its fuel procurement, its fuel usage and the operation of its fuel adjustment clause. EKPC submitted this information on December 27, 1988. A public hearing was held in this case on February 9, 1989, at which Jerry Bordes, David Hopper, Joe Christian, and Don Miller, EKPC officials, testified.

EKPC proposed that the month of June 1988 be used by the Commission as the base period (test month) for the purpose of arriving at the base fuel cost [F(b)] and the KWH sales [S(b)] components of its fuel adjustment clause. EKPC further proposed that its base fuel cost be changed to 12.48 mills per KWH. EKPC's current base fuel cost is 13.28 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in EKPC's rates, the Commission must determine whether the proposed base period fuel cost per KWH is representative of the level of fuel cost currently being experienced by EKPC. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of June 1988 is a reasonably representative generation month for EKPC. The analysis of EKPC's monthly fuel clause filings showed that the actual fuel cost incurred for the 2-year period in question ranged from a low of 11.34 mills per KWH in October 1988 to a high of 12.48 mills per KWH in June 1988 with an average cost for the period of 12.08 mills per KWH. EKPC proposed the higher cost of 12.48 as its new base fuel cost because it reflected the increased cost which will occur in 1989 and 1990 resulting from contract renegotiations and price escalations. Based upon its review, the Commission is of the opinion that EKPC has complied with Commission Regulation 807 KAR 5:056 and that the base fuel cost of 12.48 mills per KWH should be accepted.

EKPC has one billing cycle, which covers the calendar month. EKPC's member cooperatives are billed in the first week of the following month. If EKPC's proposed base fuel cost of 12.48 mills

per KWH became effective for service rendered on and after May 1, 1989, EKPC would bill its customers for service received in the month of May in June using the base fuel cost after roll-in of 12.48 mills per KWH. Billings for service received in April, but not billed until May, would be based on the base fuel cost before roll-in of 13.28 mills per KWH.

The Commission, having considered the evidence of record and being advised, finds that:

1. EKPC has complied in all material respects with the provisions of 807 KAR 5:056.

2. The test month of June 1988 should be used as EKPC's base period for this review.

3. EKPC's proposed base period fuel cost of 12.48 mills per KWH should be approved.

4. The establishment of a base fuel cost of 12.48 mills per KWH requires a transfer (roll-in) of <.80> mills per KWH from the fuel adjustment clause rate to EKPC's base rates and can best be accomplished by a uniform reduction in all energy rates.

5. The rates and charges in Appendix A are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 13.28 mills per KWH and the new base fuel cost of 12.48 mills per KWH.

6. The rates in Appendix A, attached and incorporated hereto, are fair, just and reasonable and should be approved for service rendered on and after May 1, 1989.

7. For service provided on or after May 1, 1989, EKPC should use a fuel adjustment clause rate based on a base fuel cost of 12.48 mills per KWH.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by EKPC through the fuel adjustment clause for the period November 1, 1986 through October 31, 1988 be and they hereby are approved.

2. EKPC's proposed base period fuel cost of 12.48 mills per KWH be and it hereby is approved.


3. The rates and charges in Appendix A are fair, just and reasonable and are approved for service rendered on and after May 1, 1989.

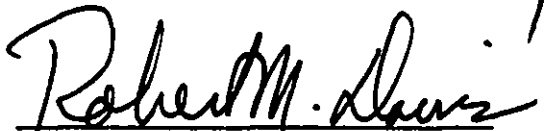
4. For service provided on or after May 1, 1989, EKPC shall use a fuel adjustment clause rate based on a base fuel cost of 12.48 mills per KWH.

5. Within 30 days from the date of this Order, EKPC shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 31st day of March, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:

Executive Director


Commissioner

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 10437 DATED 3/31/89

The following rates and charges are prescribed for the customers in the area served by East Kentucky Power Cooperative, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

WHOLESALE POWER RATE SCHEDULE

Monthly Rate - Per Load Center

Load Center Charge:	\$1,069 Per Month
Demand Charge:	\$7.82 Per KW of Billing Demand
Energy Charge:	\$.02342 Per KWH
Minimum Monthly Charge:	The minimum monthly charge under the above rate shall not be less than \$1,069.

WHOLESALE POWER RATE SCHEDULE C

PART I

Monthly Rate

Demand Charge:	\$5.39 Per KW of Billing Demand
Energy Charge:	\$.02342 Per KWH

PART II

Monthly Rate

Demand Charge:	\$7.82 Per KW of Billing Demand
Energy Charge:	\$.02342 Per KWH

PART III

Monthly Rate

Load Center Charge: \$1,069 Per Month

Minimum Monthly Charge: The minimum monthly charge shall not be less than \$1,069 per load center.